

PT 98-61

Tax Type: PROPERTY TAX
Issue: Religious Ownership/Use

**STATE OF ILLINOIS
DEPARTMENT OF REVENUE
OFFICE OF ADMINISTRATIVE HEARINGS
SPRINGFIELD, ILLINOIS**

ASSOCIATION OF INDEPENDENT)	
BAPTIST CHURCHES)	Docket # 95-27-01
Applicant)	
)	Parcel Index # 11-14-08-383-018 (DIV)
v.)	
)	
)	Barbara S. Rowe
THE DEPARTMENT OF REVENUE)	Administrative Law Judge
OF THE STATE OF ILLINOIS)	

RECOMMENDATION FOR DISPOSITION

Appearances: Ellen Lee, Eckhardt & Lee Law Office for Association of Independent Baptist Churches.

Synopsis:

The hearing in this matter was held at Willard Ice Building, 101 W. Jefferson, Springfield, Illinois on November 3, 1997, to determine whether or not Ford County Parcel Index No. 11-14-08-383-018(DIV) qualified for exemption during the 1995 assessment year.

Reverend Dennis Fitzgerald, Vice-President and member of the executive board of the Association of Independent Baptist Churches of Illinois (hereinafter referred to as the "Applicant") and Reverend Gordon Edgington, Pastor of Grace Baptist Church and Missions Director of the applicant were present and testified on behalf of the applicant.

The issues in this matter include, first, whether the applicant was the owner of the parcel during the 1995 assessment year; secondly, whether the applicant is a religious organization; and lastly, whether the parcel was used or was being adapted by the applicant for religious purposes during the 1995 assessment year. Following the submission of all the evidence and a review of the record, it is determined that the applicant owned the parcel during the entire 1995 assessment year. It is also determined that the applicant is a religious organization. Finally, it is determined that the applicant either was in the process of adaptation for religious use or used the entire parcel for religious purposes during the entire 1995 assessment year.

Findings of Fact:

1. The jurisdiction and position of the Department that a portion of Ford County Parcel Index No. 11-14-08-383-018(DIV) did not qualify for a property tax exemption for the 1995 assessment year was established by the admission into evidence of Department's Exhibits No. 1 through 5. (Tr. p. 9)

2. On July 31, 1995, the Department received a property tax exemption application from the Ford County Board of Review for Permanent Parcel Index No. 11-14-08-383-018(DIV). The applicant had submitted the request, and the board recommended granting the exemption for the 1995 assessment year. The Department assigned Docket No. 95-27-1 to the application. (Dept. Grp. Ex. Ex. No. 2)

3. On March 14, 1996, the Department denied in part the requested exemption application. Specifically, the Department found that the “6 bedrooms on the 1st floor (rooms 101, 103, 109, 131, 162 & 164) as well as the entire 2nd floor and a proportionate amount of land are denied exemption” because that portion of the property was not in exempt use. (Dept. Ex. No. 3)

4. The applicant timely protested the partial denial of the exemption and requested a hearing in the matter. (Dept. Ex. No. 4)

5. The hearing held at the Department's offices in Springfield, Illinois, on November 3, 1997, was pursuant to that request. (Dept. Ex. No. 5)

6. The applicant acquired the subject parcel by a trustee's deed dated December 19, 1994. (Dept. Ex. No. 2 pp. 4-6)

7. On the subject parcel is a 106,000 square foot two-story building that houses the applicant's headquarters. The building is also used as a retreat center for the numerous churches that belong to the applicant. (Dept. Ex. No. 2 pp. 1)

8. The subject property is commonly known as 651 East Pells St., Paxton, Illinois. Within the building on the parcel are 24 bedrooms; 4 mechanical rooms; 3 storage rooms for household and janitor supplies; 4 housekeeping sink rooms; 2 large meeting rooms; 2 recreation rooms; 4 offices; 3 entrances; 6 shower rooms; 2 janitor service closets; 2 elevators; 1 laundry room; 1 print shop section comprised of 1 set up room, 2 dark rooms, 1 press room and 1 mail/folding room; 2 paper storage rooms; 5 storage rooms; 1 book storage room; and 6 rest rooms. (Dept. Ex. No. 2 p.10)

9. The applicant was incorporated under the general not for profit corporation act of the State of Illinois on January 23, 1968. The purpose of the applicant, according to its constitution is:

To proclaim the message of the Word of God and to contend for the historic Baptist testimony and witness through gospel preaching fundamental Baptist churches in Illinois.

The association seeks to provide fellowship for existing Fundamental Baptist Churches in Illinois which agree to the Doctrinal Statement of the Association. It also seeks to establish Baptist churches throughout the State and encourage and help them to become self-supporting.

The Association also seeks to provide help to fellowshipping churches and churches of like faith and practice by promoting Sunday School Conferences,

Youth Activities, Bible and Missionary Conferences, Summer Camps and aids to Christian Education. (Applicant's Ex. No.7)

10. The Doctrinal Statement of the Applicant says that the applicant has an express belief in a Supreme Being. (Applicant's Ex. No. 7)

11. Applicant's association was begun in 1968 with 23 churches as members. By 1997, the association's membership had grown to 77 churches. The membership was approximately 74 in 1995. (Tr. pp. 13-14)

12. The Missions Director is the Chief Administrative Officer of the applicant. The responsibilities of the Missions Director are: to trouble shoot at churches that are having disagreements; to print the *Messengers*; to print the directories of the member churches; to promote the mission of the applicant; to raise money for the support of himself and other pastors of applicant's churches; to promote the mission conference; to administrate the insurance program that the applicant has for its pastors, Christian day school teachers, and staff employees of applicant's member churches. (Applicant's Ex. No. 7; Tr. p. 12)

13. The Missions Director helps to establish new churches in the State of Illinois. Twenty-three new churches have been started in 23 years. The Missions Director is responsible for personally starting eight. (Tr. pp. 11-12)

14. Prior to the purchase of the subject property, the applicant was operated from the basement of the residence of the Missions Director at 406 West Kelsey, Bloomington, Illinois. (Tr. p. 11-13)

15. The basement of the residence housed the office, files, and print shop for the applicant. It was extremely crowded. Any pastors' retreats necessitated that the applicant rent additional facilities. (Tr. p. 13)

16. The Paxton Community Hospital donated the subject parcel to the applicant. The building on the parcel had been used as a hospital. (Applicant's Ex. No. 3)

17. On November 14, 1994, the members of the applicant, in a regularly scheduled business meeting, discussed the gift of the subject property to the organization. The members voted to accept the property. (Applicant's Ex. No. 3; Tr. p. 19)

18. On March 28, 1995, at a regularly scheduled business meeting of applicant's members, the subject property was again on the agenda. Additional needs for the building, in particular the installation of two forty-gallon water heaters, new wall paper, bed frames, plumbing work, a refrigerator, steam table, and the means to acquire and furnish these items was a topic of conversation. A Bible study group had been started in the building on the subject parcel. (Applicant's Ex. No. 4; Tr. pp. 19-20)

19. When applicant acquired the subject property, although the building on the parcel was not old, the roof leaked, the floor was not in usable condition, the electricity and plumbing needed repair, and extensive renovation was necessary for the property to be adapted for applicant's use. (Tr. pp. 28-33)

20. In the building on the subject property, the area at issue consists of the 6 bedrooms on the 1st floor and all of the rooms on the 2nd floor. The second floor layout consists of 18 bedrooms, bath and shower rooms, 2 recreation rooms, the solarium, and the kitchen and dining complex. (Dept. Ex. No. 2 pp. 13; Dept. Ex. No. 3)

21. In order to renovate the parcel, applicant's member churches would send groups and individuals that volunteered their time to help refurbish the building. Those persons often stayed overnight in the subject rooms. (Tr. pp. 31-34)

22. The applicant received 37 double beds on February 7, 1995. Frames needed to be built for the beds. Twenty-six frames were built and installed almost immediately. (Tr. pp. 20-21)

23. In March and April of 1995, two hot-water energy efficient boilers replaced the prior less effective heating components. (Tr. pp. 21-22)

24. Applicant's business office, print shop and files were physically moved from the Bloomington residence to the first floor of the subject building in the first week of August 1995. (Tr. p. 22)

25. The first Bible study took place on the subject parcel on January 24, 1995. The Bible study classes were conducted regularly on every Tuesday night. Due to increased participation, Sunday services were started in the subject building in July 1995. Thereafter, the entire first floor was used for Sunday school classes, Bible study groups, and worship services. (Tr. pp. 22-26)

26. The Bible study was a prelude to the formation of Grace Baptist Church, which was chartered on July 14, 1996. The church is located in the building in question and was, at the time of the hearing, run by the Missions Director of the applicant. (Tr. pp. 23-26)

27. An essential part of the applicant's religious tenet is having retreats; pastors' retreats, pastors and their wives retreats, ladies retreats, staff retreats, men's retreats, and family retreats. (Tr. pp. 31)

28. A retreat is a general assembly with usually one or more preaching time as well as time for fellowship and reflection. A retreat usually starts on Friday evening at 7:00 p.m. and is finished between 3:00 p.m. and 4:00 p.m. on Saturday. Sometimes the retreat will last as long as a week. (Tr. p. 38)

29. The subject areas of the second floor, consisting of the bedrooms, bath and shower rooms, recreation rooms, solarium, and kitchen and dining complex also required extensive renovation. Pipes were broken. Equipment had been removed incorrectly and the electricity had not been properly shut off. Much of the floor tile was broken. The roof leaked extensively on the second level. The wallpaper and wall coverings were off the wall in a number of the rooms in the southwest area of the building. There was water damage to the windows. Debris had not been properly removed. (Tr. pp. 28-29)

30. By November 1997, the building was fully functional. (Tr. p. 40)

31. Prior to the time of the hearing, one of applicant's member churches had held a retreat in the building. (Tr. pp. 37)

32. There are no assigned dues or fees required by the applicant. All events and support are on a free will offering basis. The applicant does not intend to charge its members for the retreats. (Applicant's Ex. No. 7; Tr. p. 38-39)

Conclusions of Law:

Article IX, §6 of the Illinois Constitution of 1970, provides in part as follows:

The General Assembly by law may exempt from taxation only the property of the State, units of local government and school districts and property used exclusively for agricultural and horticultural societies, and for school, religious, cemetery and charitable purposes.

This provision is not self-executing but merely authorizes the General Assembly to enact legislation that exempts property within the constitutional limitations imposed. City of Chicago v. Illinois Department of Revenue, 147 Ill.2d 484 (1992)

Pursuant to the authority granted by the Constitution, the legislature has enacted exemptions from property tax. At issue is the religious exemption found at 35 **ILCS** 200/15-40. That portion of the statutes exempts certain property from taxation in part as follows:

§ 15-40. Religious purposes, orphanages or school and religious purposes. All property used exclusively for religious purposes, or used exclusively for school and religious purposes, or for orphanages and not leased or otherwise used with a view to profit, is exempt, including all such property owned by churches or religious institutions or denominations and used in conjunction therewith as housing facilities provided for ministers (including bishops, district superintendents and similar church officials whose ministerial duties are not limited to a single congregation), their spouses, children and domestic workers, performing the duties of their vocation as ministers at such churches or religious institutions or for such religious denominations, and including the convents and monasteries where persons engaged in religious activities reside.

A parsonage, convent or monastery or other housing facility shall be considered under this Section to be exclusively used for religious purposes when the church, religious institution, or denomination requires that the above listed persons who perform religious related activities shall, as a condition of their employment or association, reside in the facility.

The Department, pursuant to the docket number in question, granted this applicant a partial exemption. Therefore, the Department has determined that the applicant is a religious organization. The only question before me is whether the use of the 24 bedrooms and the additional space on the second floor qualify for exemption in 1995 as being used for religious purposes.

The Supreme Court in MacMurray College v. Wright, 38 Ill.2d 272 (1967), in considering whether or not faculty housing at a college qualified for exemption, concluded that the exemption would be sustained if it is established that the property is primarily used for purposes which are reasonably necessary for the accomplishment and fulfillment of the educational objectives or efficient administration of the particular institution.

In the case of Weslin Properties, Inc. v. Department, 157 Ill.App.3d 580 (1987), the Appellate Court held that property which was under development and adaptation for exempt use qualified for exemption. In that case, Weslin Properties purchased a 24.3 acre tract on May 26, 1983 to be developed into an Urgent Care Center, hospital, and related medical facilities. During 1983, Weslin Properties approved a site plan and hired an architect. Then in 1984, construction of the Urgent Care facility began. In 1985, the Urgent Care Center was completed and occupied. The Court held that the Urgent Care facility qualified for exemption during 1983, but that the remainder of the parcel did not qualify, as there had not been sufficient adaptation and development for use of the remainder of said parcel during 1983. The Court in Weslin noted that the parcel there in issue was to be used as a medical campus, which was a complex and costly undertaking, requiring several years to be completed.

The facts in Weslin are pertinent to the case here in issue. In this case, the building needed to be renovated and restored and the interior refurbished to be usable as a retreat center. The Department granted in part the requested exemption thereby finding that the applicant is a religious organization and the exempted areas were used for exempt purposes in 1995.

The only question before me regards the use of the six downstairs bedrooms and the entire second floor, which consisted of additional bedrooms, bath and shower rooms, recreational rooms, a solarium and the kitchen/dining complex. Testimony and exhibits establish that the entire building was being used by the applicant for retreats by the time of the hearing. I find that bedrooms and suitable living arrangements for retreatants are reasonably necessary to the religious purposes of the retreats, I find that the adaptation of the subject area qualifies for exemption for the 1995 assessment year.

It is therefore recommended that Ford County Parcel Index No. 11-14-08-383-018(DIV) be exempt from the assessment of real estate tax for 1995.

Respectfully Submitted,

Barbara S. Rowe
Administrative Law Judge
August 6, 1998